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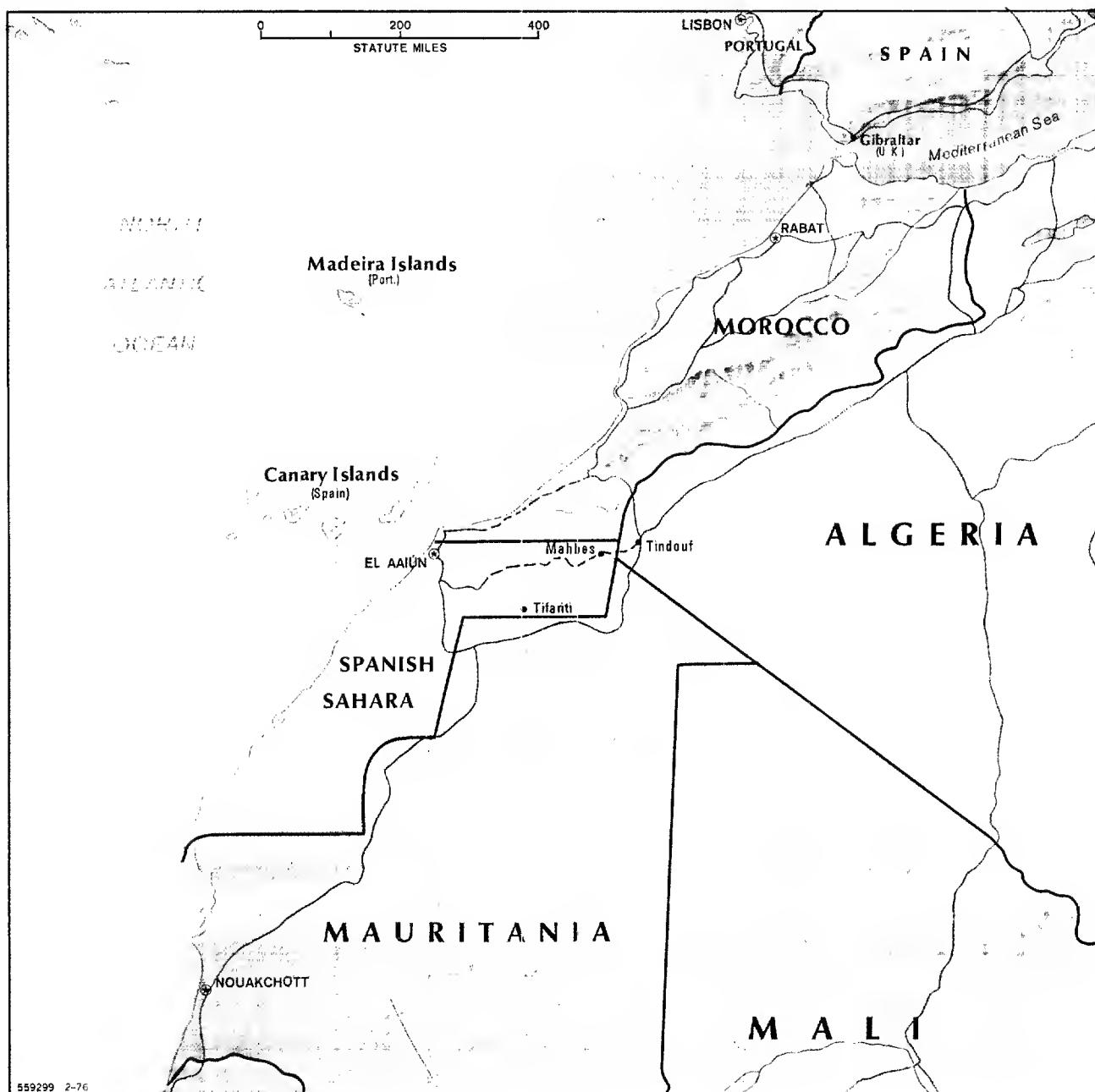
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MOROCCO-ALGERIA

Moroccan forces are apparently moving on the Polisario stronghold of Mahbes in Spanish Sahara.

Although Moroccan officials in Rabat initially told the US embassy that the town had been occupied without opposition from Algerian forces on Tuesday night, they were unsure by late yesterday that Moroccan troops had in fact entered the town. Their uncertainty may indicate that the Moroccan column is deliberately moving slowly or is encountering resistance either from the Polisario or from Algerian forces.

The Rabat press, on the other hand, has for some days been hinting at the possibility that the Algerians were withdrawing, and Rabat's initial assumption that its troops had met no opposition may indicate that it has reason to believe the Algerians have pulled back or are in the process of doing so.

An Algerian withdrawal would significantly reduce the chances of a major clash between Moroccan and Algerian forces in the Sahara. Algeria will almost certainly, however, continue its policy of supporting Polisario guerrilla attacks against Moroccan and Mauritanian forces in the territory.

Meanwhile, Algeria is continuing to push for a referendum on self-determination for the people of Spanish Sahara. On February 6, Algiers sent a lengthy memorandum to UN Secretary General Waldheim once again calling for application of the principle of self-determination through a "free and genuine" referendum.

The memorandum condemned the tripartite agreement last November turning over control of the territory to Rabat and Nouakchott, declared Spain still accountable to the UN as the legitimate administering power of a non-self-governing territory, and characterized the Moroccan-Mauritanian takeover of the territory as a blatant act of aggression affecting the peace and stability of the region.

The Algerian memo may be a prelude to an appeal to the Security Council to discuss the matter. Given the inconclusive outcome of the General Assembly debate last December—two contradictory resolutions were passed—an appeal to the Council that the Sahara issue is a threat to international security is Algeria's only remaining move at the UN.

Waldheim's personal envoy—Sweden's ambassador to the UN—arrived in the Sahara February 7 on a fact-finding mission, after two days of consultations in Madrid. He is expected to return home later this week without visiting Morocco, Mauritania, or Algeria.

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The Moroccans consider the Sahara dispute settled, and are orchestrating the envoy's visit to support their claim that Saharans already have been consulted through the territorial assembly. The Algerians are characterizing the UN mission as evidence that the "Sahara file remains open."

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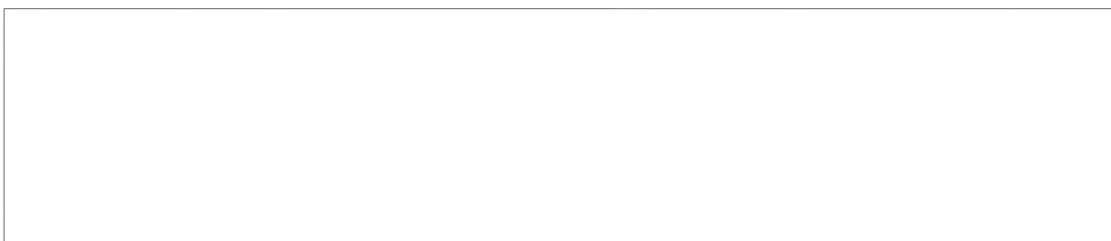
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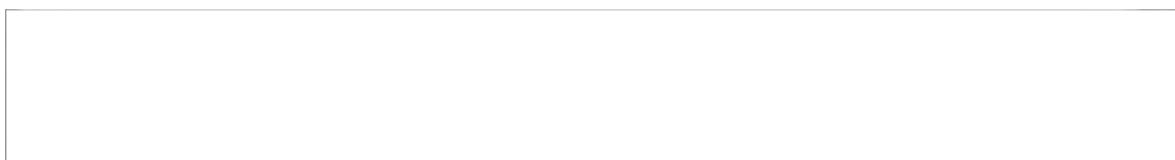
USSR-CUBA-ANGOLA

Following are the key points of an Interagency Intelligence Memorandum on Soviet and Cuban aid to the Popular Movement in Angola during January.

The amount of military support provided the Popular Movement for the Liberation of Angola by the Soviet Union and Cuba increased markedly in January 1976.



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Soviet military shipments in January increased somewhat over the late 1975 level. Since January 1, we have confirmed for the first time in Angola such equipment as T-54 tanks, amphibious vehicles, and pontoon bridges.

We have continued to receive reports that MIG-type jet fighters are in Angola. There is still a division of views within the US intelligence community, however, as to whether MIGs are actually present in country.

(Press photography received since the publication of this memorandum purports to show one MIG-17 at Luanda.)



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Zaire

President Mobutu is making policy and personnel adjustments in response to the Popular Movement's increasing success in Angola and Zaire's steadily mounting political and economic problems.

Mobutu, who has supported the rival National Front for more than ten years, is anxious to put Angola behind him by arranging an accommodation with the Popular Movement.

Last month, Mobutu tried to get Mozambique President Machel to act as an intermediary in setting up such talks, but Machel refused. He reportedly told Mobutu's representative that he would not attempt to mediate between Zaire and the Popular Movement until both parties had made "conciliatory gestures."

Mobutu realized some time ago that the National Front was collapsing as an effective military contender in Angola. Moreover, the poor showing by Zairian forces sent to support the Front raised serious doubts in his mind about his army's ability to deal with any significant internal disturbances in Zaire. Mobutu is aware that exiled Zairian dissidents are seeking the Popular Movement's support for an attempt to mount an insurgency from Angola aimed at overthrowing him.

Early this month, Mobutu signaled his intention to break with past policies by carrying out a broad government reshuffle. He dropped his foreign minister and chief defense adviser, reallocated economic responsibilities within his cabinet, and tightened the structure of the official party's political bureau.

Changing foreign ministers gives Mobutu some flexibility to move away from his hardline policy toward the Popular Movement. The change of defense advisers may also be a signal to Neto that Mobutu is prepared to forgo any further military adventures against the Popular Movement. In any event, it surely reflects Mobutu's desire to do something about the weaknesses of the Zairian military. Other changes affecting the leadership of Zaire's armed forces will probably follow.

With new individuals occupying Zaire's numerous economic positions, both in the cabinet and the political bureau, Mobutu can take the line publicly that reform is on the way and that he and his new subordinates are ready to take a fresh approach toward Zaire's many economic problems.

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ITALY

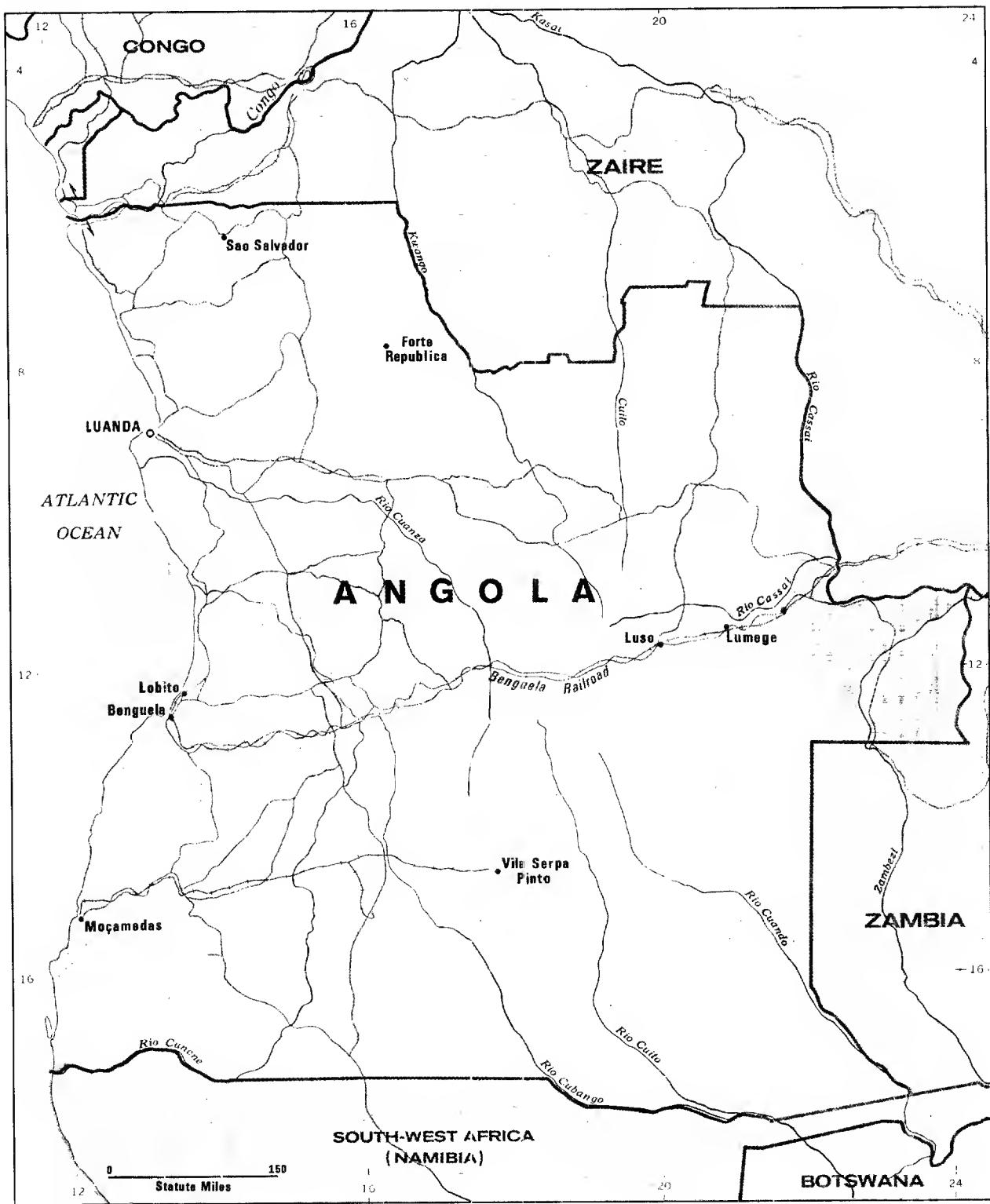
Christian Democratic Prime Minister Aldo Moro presented his new single-party cabinet list yesterday to President Leone who accepted it immediately. The new government will be sworn in today. At best, it is a stopgap, likely to last only a couple of months—long enough to take emergency economic measures and permit some parties to sort out political options at congresses next month.

Only five portfolios in the 21-member cabinet changed hands. All four Republican Party members of the old coalition cabinet were dropped, and Christian Democratic Interior Minister Luigi Gui asked to be left out of the new cabinet. Gui claimed that he wanted to clear himself of newspaper charges stemming from the Lockheed investigations. Defense Minister Arnaldo Forlani replaces Gui during the interim, while retaining the defense post.

The new cabinet includes two non-political appointees. Gaetano Stammati, chairman of the Banca Commerciale, was chosen finance minister, and the new Justice Ministry chief is Franco Bonifacio, former president of the constitutional court. The appointment of Bonifacio is an attempt by the Christian Democrats to minimize their responsibility for the controversial liberalized abortion bill, which the Justice Ministry will have to handle in upcoming parliamentary debate.

The absence of conservative Republicans from the new cabinet will make it slightly less objectionable to the Socialists who toppled the last coalition government in part because of differences over economic policy. Moro will continue to push for the passage of controversial emergency economic legislation although both the Socialists and the Republicans have reserved the right to vote against portions of his program.

The Socialists and the Republicans have agreed, however, to abstain on a confidence vote that will permit Moro's government to be installed.



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ANGOLA

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[redacted] With the recent loss of Lobito-Benguela, National Union President Savimbi has established his headquarters at Silva Porto and reportedly intends to reestablish supply lines between Mocamedes and Vila Serpa Pinto. Although the planning appears to be sound, the Popular Movement's capture of Mocamedes, which appears imminent, would seriously disrupt Savimbi's ability to support guerrilla operations.

The southernly withdrawal of the National Union will leave only those forces in the Luso area to prevent the Popular Movement from gaining control of the Benguela Railroad. The railway was reported to be operational between Lobito and Lumege as of February 1 and was being used to resupply National Union forces at Luso. It is considered unlikely that Savimbi would risk alienating Zambian President Kaunda, one of his principal African supporters, by blowing bridges and putting the Benguela Railroad out of operation for an indefinite time.

The National Front has collapsed as a military force in northern Angola, and its last remaining garrisons cannot hold out much longer. Sao Salvador is under heavy pressure [redacted]

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[redacted] The military collapse in the north eliminates that faction's ability to influence events in Angola. [redacted]

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* * * *

[redacted]

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PORUGAL

A demand by the centrist Popular Democratic Party that separately scheduled elections for president and legislative assembly be held simultaneously could delay agreement on the military's withdrawal from politics and possibly the elections themselves. The assembly elections are presently scheduled to be held by April 25, and the presidential elections six months later.

At a press conference on Tuesday, the Popular Democrats hinted that the failure to adopt the party's position on the elections could result in its refusal to sign the new agreement formalizing the military's withdrawal that has been painstakingly negotiated with the parties over the past several weeks.

The party's tough stand appears to have been prompted by party Secretary General Sa Carneiro's suspicions that the rival Socialists have made a deal with incumbent President Costa Gomes to support his candidacy in exchange for his naming a Socialist—probably party Secretary General Mario Soares—as prime minister. According to Sa Carneiro, Costa Gomes has consented to support Soares even though the Socialists fail to obtain a plurality in the assembly elections. Early polls suggest that the Popular Democrats rather than the Socialists may gain a plurality, and Sa Carneiro obviously views a decision on the premiership by the enigmatic Costa Gomes with considerable apprehension.

There is no evidence that Soares and Costa Gomes have struck the kind of political bargain which Sa Carneiro alleges.

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To add to the election timetable controversy, the Socialists recently announced that they would refuse to join with any of the other major parties in a post-election coalition—spurning bids not only from the Popular Democrats, but also from the center-right Social Democratic Center and from the Communists. At a press conference last week, however, Soares did leave the door open to possible future cooperation with the Social Democratic Movement, a group of leftist dissidents who recently split from the Popular Democrats.

Although it is possible that Soares is professing disinterest in such alliances at this stage in order not to split his own party along ideological lines before the election, he and other party leaders have also argued that none of the other major parties really shares the Socialists' goals and that the party is fully prepared to go into opposition if the election results are not in its favor.

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PORUGAL

The government may soon reorganize and further reduce the size of its army. The reorganization should eliminate many costly and unnecessary units and increase the army's efficiency and professional competence.

The army chief of staff, General Eanes, announced a plan late last month to reduce the size of the army by 40 percent to approximately 26,000 men. The army thus would be larger only than those of fellow NATO members Denmark, Norway, and Luxembourg.

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The proposed reorganization would streamline the army into two forces. The intervention force, consisting of approximately 10,400 elite professionals, would receive the highest degree of training available and the most sophisticated equipment. It would be used to defend Portugal's territory and perhaps to fulfill its NATO ground-force requirement of one division.

The territorial force, consisting of about 15,600 men, would be divided into two categories. Some 9,360 men would form small, self-sufficient mobile units that would perform national guard-type functions. The remaining 6,240 members would serve in an administrative and logistic capacity.

The timetable for implementation of the army reorganization has not been announced. The difficult decision is complicated by the possible political ramifications that could result from adding more men to the ranks of the unemployed.

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SPAIN-PORTUGAL

At their meeting today in Portugal, Spanish Foreign Minister Areilza and his Portuguese counterpart, Melo Antunes, are scheduled to sign three bilateral treaties involving delimitation of the continental shelf and the territorial seas, as well as dam construction on a river that forms part of their common border.

The Spaniards expect a Portuguese request for credits. Madrid's response reportedly will depend a great deal on Lisbon's receptivity to claims for damage done to Spanish property in Portugal since the revolution in April 1974. Spain is prepared to provide technical assistance to the Portuguese tourist industry.

According to a Portuguese official, the two ministers will also discuss policy toward revolutionary groups operating across the Spanish-Portuguese border, trade and commerce, and possibly relations with the EC.

Despite some improvement in relations since the Spanish embassy in Lisbon was sacked last September, basic problems remain. Each country is wary of the direction of political development in the other. Many Portuguese officials see the regime of King Juan Carlos as tainted by the Franco era, while their Spanish counterparts worry about "dangerous radicalism" in Portugal. Nevertheless, signs of a shift toward the right in Portugal, coupled with promised liberalization measures in Spain, may provide a basis for agreement between the two countries.

Both countries officially profess noninterference in each other's internal affairs. Spain, for example, turned back former Portuguese president Spinola at the French border when he tried to enter Spain on February 2, but Lisbon has complained about the presence in Spain of centers for Portuguese insurgents.

Spanish officials, in turn, are irritated by repeated criticism of Spain by Portuguese political figures—principally the Socialists. They were particularly annoyed by the presence of Portuguese Socialists on a Socialist International study group visiting Spain and the publicity given to its criticism of political conditions in Spain.

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TURKEY

The debate on the budget bill beginning later this week in the National Assembly sets the stage for a vote that may determine the future of Turkish Prime Minister Demirel's shaky four-party coalition.

The debate and vote will mark the end of a six-week-long campaign by parliamentary opposition leader and former prime minister Ecevit to unseat Demirel. Ecevit has attempted to persuade unenthusiastic government supporters—whether independents or members of coalition parties—to join the opposition, or at least to abstain on the budget vote.

Earlier this year, Ecevit had been optimistic about prospects for toppling the government, but in the past two weeks he has begun to express doubts about the success of his tactics. During this same period, government supporters have become more optimistic; one supporter told US embassy officials recently that the budget should pass easily. Both sides nonetheless continue to lobby wavering deputies.

Tactically, the budget vote offers Ecevit the best opportunity for defeating the government. A simple majority of those present and voting is all that is required to defeat the bill. Ecevit would probably be prepared to argue that, by parliamentary tradition, the government should resign after losing a vote on the budget, even if the opposition has not won the absolute majority that would normally be required to force a resignation.

A knowledgeable Turkish politician believes that if Demirel survives the budget vote, he is unlikely to be confronted by another serious parliamentary challenge before the summer recess begins in July. Should this observation prove accurate, Demirel would theoretically be able to turn his attention from narrow political concerns to the serious economic and social problems facing the country. Clearing similar hurdles in the past, however, has not had a galvanizing effect upon the Prime Minister.

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EC-CANADA

The economic and trade cooperation agreement which the EC this week agreed to negotiate with Canada will be the first Community arrangement of its kind and could provide a model for accords with other developed countries, such as Australia.

The nonpreferential agreement will offer a political framework for regular ministerial meetings, exchanges of commercial and technological information, and joint industrial ventures. The EC has already announced a loan of \$78 million to the British Steel Corporation for a joint project to extract Quebec iron ore. EC Commission President Ortoli's visit to Ottawa next week also will add to the momentum for an agreement.

Canada has been seeking some sort of special relationship with the EC for a number of years. The quest was stepped up in 1973 when the possibility of restating the US-EC relationship raised Canadian fears of being treated as a mere appendage of the US. The EC was disinterested in the Canadian overtures until the oil crisis impressed it with the importance of countries rich in raw materials like Canada. In exchange for facilitating access to its raw materials, Canada will seek to expand European purchases of its manufactured goods.

The EC's negotiating mandate was delayed for a number of months by concern on the part of France and the UK that the agreement would impinge on their bilateral relations with Canada. An assurance to the contrary will be in the agreement.

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CYPRUS

A new round of Cypriot intercommunal talks will begin in Vienna next Tuesday, chaired by UN Secretary General Waldheim.

Late last year the Greek and Turkish foreign ministers agreed to hold these discussions to determine the broad outlines of a settlement. Several weeks of jockeying over the agenda ended when the Turkish Cypriots agreed to discuss the territorial question.

The prospects for a major breakthrough toward a settlement are poor, but both governments want talks to continue. The Turks wish to give at least the appearance of progress in order to deflect international criticism, while the Greeks realize that if they are to recoup any of their losses, they must keep channels open to Ankara.

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WEST GERMANY - FRANCE

A spokesman for the Bundesbank announced yesterday that West Germany and France have agreed to coordinate exchange-market intervention to cool speculation of a possible franc devaluation or mark revaluation. Paris, as the principal proponent of fixed exchange rates, rejoined the joint float only last summer and would find a devaluation humiliating.

Apparently under the new agreement, the Germans began heavier intervention yesterday by purchasing over \$100 million in US dollars, along with \$50 million in francs. As a result, the franc fell only marginally yesterday in Frankfurt.

In the wake of the Italian and Spanish monetary crises, speculators have dumped the franc for such traditionally stronger European currencies as the guilder and the Deutschemark. As a result, the mark has moved to the top of the joint float, while the French have kept the franc off the bottom only by selling \$1.7 to \$2 billion in foreign currencies in the past three weeks.

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YUGOSLAVIA-ALBANIA

Yugosl-Albanian relations have become increasingly strained in recent months, especially as a result of a recent border incident.

In a new release on February 5, Belgrade said that one of its patrol craft fired on an Albanian fishing vessel operating in Yugoslav waters on December 15. In a conciliatory gesture, the Yugoslavs expressed regrets over the incident and the subsequent death of the Albanian captain but pointed out that he had failed to heed demands for the ship to halt.

Tirana claims that the vessel was in Albanian waters. The Albanian Politburo has posthumously awarded the captain the title of "Hero of the People," and has used the incident to fan domestic Albanian nationalism and xenophobia.

Belgrade does not want an openly hostile relationship with Albania. Tirana could, if it chose, aggravate nationalist tension among the Albanian minority in Yugoslavia.

Meanwhile, the Belgrade press announced on Sunday the sentencing of 19 Albanian "irredentists" and "counterrevolutionaries" in the Yugoslav autonomous region of Kosovo. Although the Yugoslav press has made no direct linkage between the irredentist movement and Tirana, it has alleged that the dissidents relied on external anti-Yugoslav elements.

On February 3 a member of the Yugoslav State Presidency reiterated the Yugoslav position that future initiatives to improve realtions must come from Albania.

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JAPAN: Prime Minister Miki's efforts to stress Japan's role in Southeast Asia suffered a setback on Tuesday when the Association of Southeast Asian Nations announced that the prime ministers of Japan, Australia, and New Zealand would not be invited to confer with ASEAN leaders after the ASEAN summit conference in Bali later this month. Miki had actively lobbied for an invitation, and still plans to tour Southeast Asia sometime after the end of the current Diet session this spring. Miki also faces domestic bureaucratic opposition in Tokyo to any significant increase in Japanese economic aid or political involvement in Southeast Asia.

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